

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 /093 W

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R 261915Z JUL 78

FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 3182

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E.O. 11652: N/A

TAGS: EFIN VE

SUBJECT: CENTRAL BANK APPROVES INTEREST RATE INCREASES

1. ACCORDING TO PRESS REPORTS, THE CENTRAL BANK OF VENEZUELA HAS APPROVED INCREASES AVERAGING ONE HALF OF ONE PERCENT IN INTEREST RATES PAID TO DEPOSITORS AND LENDERS IN THIS COUNTRY. NEW INTEREST RATE CEILINGS ARE AS FOLLOWS:

NEW RATE(PERCENT) OLD RATE (PERCENT)

LOANS BY MORTGAGE COMPANIES

AND FINANCIERAS 11.5 11

COMMERCIAL BANK LOANS 10.5 10

TIME DEPOSIT CERTIFICATES

(MORE THAN BS 400,000) 8.75 8

MORTGAGE COMPANY AND FINANCIERA

BONDS (TAX FREE) 8.5 8

IN ADDITION, THE CEILING ON COMMISSIONS PAID RELATED TO THE CONSTRUCTION OF HOUSING HAS BEEN RAISED TO 3 PERCENT FROM 2 PERCENT.

2. COMMENT: DURING THE PAST TWO MONTHS THE GOV HAS ANNOUNCED A  
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NUMBER OF MEASURES DESIGNED TO ALLEVIATE THE SHORTAGE OF LIQUIDITY, STIMULATE THE INFLOW OF FOREIGN CREDITS, AND DISCOURAGE THE TRANSFER OF FUNDS ABROAD BY VENEZUELANS CONCERNED ABOUT A POSSIBLE DEVALUATION OR IMPOSITION OF CURRENCY CONTROLS AFTER THE DECEMBER ELECTIONS. THESE MEASURES INCLUDE:  
-A REDUCTION IN THE CENTRAL BANK'S "SWAP RATE" WHICH MAKES IT EASIER AND CHEAPER FOR VENEZUELANS TO BORROW ABROAD

TO MEET BOIVAR OBLIGATIONS. "SWAP" CONTRACTS INCLUDE A GUARANTEED EXCHANGE RATE AND MAY BE FOR A PERIOD AS LONG AS ONE YEAR (SEE CARACAS A-74, DATED JUNE 22, 1978.)

-INTEREST EARNINGS ON LONG TERM CREDITS (OVER ONE YEAR) OBTAINED FROM FOREIGN CREDITORS WILL NOT BE SUBJECT TO VENEZUELAN INCOME TAXES FOR AN INDEFINITE PERIOD.

-THE GOV WILL PERMIT FOREIGN LOANS TO THE VENEZUELAN PRIVATE SECTOR TO CARRY AN INTEREST RATE OF AS HIGH AS 3 PERCENT OVER LIBOR. THE PREVIOUS RATE WAS 2 PERCENT.

THE DECISION TO RAISE THE CEILINGS ON INTEREST RATES GENERALLY IS CONSISTENT WITH THIS PATTERN. THE GOV HOPES THAT, TAKEN TOGETHER, THESE MEASURES WILL HELP ARREST THE DECLINE IN FOREIGN EXCHANGE RESERVES THAT HAS TAKEN PLACE SINCE LAST AUGUST.

CROWLEY

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CENTRAL BANK, BANK RATES, BANKS, INTEREST RATES  
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**Decapton Date:** 01 jan 1960  
**Decapton Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Original Handling Restrictions:** n/a  
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**Review Markings:**  
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